



UNITED STATES DEPARTMENT OF COMMERCE  
National Oceanic and Atmospheric Administration

Document ID Number: 2126

AR: Montrose Settlements Restoration Program  
Administrative Record

Title: Memorandum - Exception to NOAA Cost  
Recovery Policy

April 16, 2002

MEMORANDUM FOR: Montrose Settlements Restoration Program  
Trustee Council

FROM: William G. Conner *WAC*  
NOAA Representative to the Trustee Council

SUBJECT: Exception to NOAA Cost Recovery Policy

NOAA's Damage Assessment and Restoration Program policy requires full recovery of all natural resource damage assessment and restoration costs incurred by the agency. Full costs include direct expenditures for the specific case plus overheads for benefits, space, NOAA overheads, etc. In addition, an allocated portion of the indirect costs that are incurred to operate NOAA's natural resource damage assessment program are used to form a divisional overhead. These indirect costs are costs that cannot be assigned directly to a case or other program outputs, but that support the program. Examples of divisional indirect costs include administrative costs that cannot be assigned to a case (e.g., time and attendance data entry, formulation of administrative policies) and the cost of management functions (e.g., performance reviews, staff meetings), development of improved techniques, maintaining a response capability, training, drills, etc. NOAA accumulates indirect costs each year and allocates these costs to direct labor dollars expended for cases. The calculation methods and resulting indirect rates are published in the Federal Register and have been previously shared with this Trustee Council.

For the Montrose Settlements Restoration Program, special circumstances suggest that it may not be appropriate to allocate the entirety of the indirect pool to MSRP labor expenditures. For example, MSRP will pay directly for space to house dedicated MSRP employees. In addition, many of the methods development costs, response capabilities and other indirect cost components do not support MSRP activities. I have discussed these circumstances with NOAA's accounting firm. Pursuant to these discussions, I have recommended to the appropriate NOAA policy makers that NOAA calculate and report full costs for MSRP but that we:



1. Recover no divisional overhead for NOAA employees who are substantially dedicated to MSRP on a long-term basis (i.e., the Program Manager and secretary), and
2. Recover 50% of the normal divisional overhead for other NOAA employees who charge time to MSRP on an as-needed basis (i.e., Conner, Boyce, Cubit, Bannon, Baker, etc.)

NOAA management approved this exception to the cost recovery policy effective with restoration costs incurred in FY 2002. Full recovery will still be required for restoration costs incurred prior to FY 2002 and for all damage assessment costs. NOAA will review this policy from time to time and may change it.

The measures described in this memorandum combined with the delayed payment schedule for past NOAA damage assessment costs should assist in making more funds available for restoration activities.

---

---